

March 11, 1946.

SECRET

FRANKFURT

To Mr. Herwin
From H. . . Ramsey
Subject Suggested Questions for further Interrogation of Johannes BERNHARDT

In your interview scheduled with Bernhardt for Tuesday, March 12, you may wish to develop the following suggestions, data in respect of which would be most useful:

1. Bernhardt, in his previous conversation with you, stated that the HISA-RUKA clearing had been initiated by a German credit in the amount of of RM 30 million. This sum represented the amount which Loyalist Spain owed Germany at the time when the commercial clearing between Loyalist Spain and Germany was terminated.

Erich Gaebelt, on the other hand, makes no mention of this credit, and states that the HISA-RUKA clearing was initiated by mutual credits of 10 million (on the part of Germany) and Ptas. 40 million (on the part of the Spaniards). Gaebelt states that he was Bernhardt's right hand man in HISA during the Civil War period, and was in direct charge of German deliveries to Spain. If this is true, he should know what he is talking about, and Bernhardt should be queried to clear up the matter of initial credits and who owes who what as of the a) beginning, and b) end, of the HISA-RUKA clearing.

2. Although Ange, Gaebelt, and Bernhardt all state that the HISA-RUKA clearing was in "substantial balance" as of the end of the Civil War (mid-1939), there was apparently a period of accounting, extending into 1940, which was required to achieve this result.

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During this period of accounting, the Institute apparently did two things:

- a. it took a census of existing German arrearages in respect of the Spanish State and/or its nationals, and
- b. it consolidated in some fashion amounts which Loyalist Spain owed to Germany (stated by Bernhardt to be \$3.3 million).

This subject should be developed with Bernhardt toward the end of ascertaining exactly what happened and how. The development of this subject will also lead into another field in which we lack definite information, i.e., the mechanics of the transfer of HISEA functions in respect of the clearing to the Instituto Español de Moneda Extranjera, and the manner in which the German clearing house (Deutsche Verrechnungskasse) entered the picture on the German side. Interrogation on this subject, in turn, should require Bernhardt's explanation of the exact relationship between ROWAK and Deutsche Verrechnungskasse (our information to date, based on Bethke's statements, indicates that Deutsche Verrechnungskasse merely acted as banker for ROWAK).

3. The Anschluss between Germany and Austria occurred during the Spanish Civil War, and during the tenure of the HISEA-ROWAK clearing. Bernhardt should be queried, accordingly, on his knowledge of any Austrian arrearages to Spain or Spanish arrearages to the former Austrian State which may have been involved in and settled through the clearing.

4. Bernhardt unquestionably knows as much as any German in Spain about the Baerprogramm. The armaments investigations being conducted by Mr. Noel and myself indicates that P. Bethke (head of ROWAK) was the principal negotiator; the only other name identified in the German commission which negotiated the program in Madrid is that of a German naval officer named FLUSS.

You will recall Becker's statements to the effect that the delivery of \$160 million involved in this program did not affect the German overdraft in the clearing, and gave rise to a claim of \$4 million on behalf of the Spanish War Ministries. The armaments agents interviewed state, almost without exception, their belief that the payments made by the Spanish

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war Ministries for these deliveries were made outside the commercial clearing; some (including Lallet and Gaebelt) believe that the Spanish war Ministries made payment directly to S.F.I.N.D.U.S. Gaebelt has stated that Bernhardt should know how payment was made. It strikes me as entirely possible that these payments for munitions delivered under the Baerprogramm explain in large part the "secret funds" of Bernhardt (although this is not intended to dispel the hypothesis that these also came from sales of gold).

All of this points to the necessity of interrogating Bernhardt closely on all aspects of the Baerprogramm and on the manner of payment. Inasmuch as we last week telegraphed AIRMAIL to interrogate Bethke and Becker on the subject, it is hoped that within a few weeks we may be able to test the veracity of any statements which Bernhardt may make on this subject.

I am convinced, however, that he is in a position to disclose the whole story if he so chooses.

5. You will recall that a corollary of the Baerprogramm was the payment by Spain in installments beginning October 1943 and ending in January 1944 of RM 100 million, in its peseta equivalent, toward the Spanish Civil War debt to Germany. Certain amounts of this sum were earmarked for the procurement of specific materials, some of it earmarked for the payment of wolfram export taxes, and some of it was delivered to the German Embassy in Madrid. S.F.I.N.D.U.S., as the principal German procurement agency in Spain, unquestionably has all details in respect of the expenditure of this money, and Bernhardt should, accordingly, be able to explain them.

In addition to a breakdown of the amounts allocated to each purpose, we should have the following additional information:

- a. To what extent did the possession of the RM 100 million allocated to procurement of raw materials suffice to finance the German procurement program until summer 1944, as stated by Koenning? In other words, were all German procurements until summer 1944 allocated out of this RM 100 million, or was it supplemented by sums which the Spanish war Ministries may have contemporaneously placed at the disposal of S.F.I.N.D.U.S. for munitions delivered under the Baerprogramm?

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- b. How was the payment of this installment on the Spanish Civil War debt recorded and accounted for in respect of the Ministry of Finance and/or the Instituto de Moneda Extranjera, and, was an appropriate budget entry made or recorded?
- c. Mercury was one of the items earmarked for procurement from that portion of the payments allocated to acquisition of raw material. The British are interested in securing a breakdown of mercury shipments which may have been made during this period.
6. Bernhardt's knowledge should be probed, of course, in respect of the receipt of gold shipments to reduce the German overdraft in the clearing. In this connection it will be recalled that Huete, de la Puerta, and Navasquez acknowledged in various conversations with Mr. Ackerman that some gold had been received to reduce the German overdraft in the clearing and that Huete, in one of these conversations, indicated that Spain may have received as much as 5 - 10 tons of gold for this purpose.
7. Bernhardt's opinion on the final clearing balance and the amount of any German deficit which he acknowledges should also be sought.
8. The matter of the "consolidated clearing debt" of RM 70 million (later consolidated into Ptas. 300 million) should also be explained. Koenning's testimony on this point is somewhat confused in that he indicates that Germany may have been granted a corresponding credit, whereas all other information in our possession indicates that this "consolidated debt" was no more than an earmarking of a portion of the German overdraft into a final debt running between the German clearing house and the Spanish clearing house, and that its due date was originally fixed as November 30, 1944 and subsequently extended to November 30, 1945.
9. We are considerably ignorant in respect of the mechanics of the clearing and the number of accounts comprised therein. Bernhardt should be asked to explain this matter, and the usual procedure employed in transmitting capital sums from one country to the other. This is an important point in connection with pending claims of SOFINDUS against the Instituto Español de Moneda Extranjera, as you are aware, and it remains a mystery why the Instituto did not apparently enter a corresponding

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credit in Reichsmarks upon receipt of telegraphic advices from ROWAK and the German clearing house that corresponding sums had been deposited in Berlin, since it appears to be fairly well established that the Instituto did not operate on a telegraphic basis vis-à-vis ROWAK and the German clearing. Bernhardt should be asked to explain on what basis the clearing did operate, and to give precise information of the mechanics of remitting a sum paid into the clearing.

10. Bernhardt should be queried on whether the German debits in the Instituto are the ultimate responsibility of the Instituto and/or the Spanish State (through semi-official banks such as the Banco Central, the Banco Exterior, et cetera), or the responsibility of private banks which have advanced bank credits.

The sense of this inquiry should be to ascertain whether the German overdraft in the clearing is reflected in Spanish bank credits which may still be outstanding, or whether it consists of an obligation running from the Instituto or some other official or semi-official adjunct of the Spanish State.

11. Inquiry should be made into what, if any, effect the change in the exchange rate of the Reichsmark vis-à-vis the peseta had in calculating the Civil War debt and the arrearages in the commercial clearing.

12. Koenning states that part of the trade agreement of 1943 provided that Spain should pay 135% of the pre-war price for certain German goods (principally military materiel) and reduce the sales price of certain Spanish articles sold to Germany.

Bernhardt should be queried on this toward the end of

- a. ascertaining in more detail the true state of facts and the type of goods involved, and
- b. ascertaining whether the arrangement—which was not reflected in Spanish trade figures—may have in any way reduced the German overdraft in the clearing.

In this connection, you will recall the unexplained reduction in the German overdraft in the clearing between the 1943 trade agreement and V-E Day.

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Because answers to certain of the above questions may conceivably be supplied to Mr. Randall in future conversations which he may have with Huete and Ministry of Commerce officials, a copy of this memorandum is being forwarded to him for his files.

H. C. R.

HCR/et.

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